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TO AMEMBASSY VIENTIANE PRIORITY
AMEMBASSY BANGKOK
INFO AMEMBASSY SAIGON

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BANGKOK PASS IIS

SUBJ: FEOF FUNDS

BEGIN UNCLASSIFIED

1. WASHINGTON POST AND WASHINGTON STAR MARCH 5 CARRIED
GENERALLY PARALLEL ARTICLES HEADED RESPECTIVELY QUOTE LAOS
AID FUND LINKED TO CURRENCY BLACK MARKET UNQUOTE AND QUOTE
RISICOFF CHARGES PROFITEERING IN U.S. AID MONEY IN LAOS UNQUOTE.

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SMALL NY TIMES ARTICLE SAME DATE.

2. TEXT STAR ARTICLE FOLLOWS (UNESSENTIAL WORDS OMITTED):

QUOTE U.S. GOVERNMENT FUNDS IN LAOS APPEAR BE INVOLVED IN SAME SORT CURRENCY MANIPULATIONS THAT DRAINING DOLS 150 MILLION A YEAR FROM VIETNAMESE ECONOMY. SEN ABRAHAM A. RIBICOFF SAYS.

CONNECTICUT DEMOCRAT MADE THE CHARGE YESTERDAY AS SENATE PERMANENT INVESTIGATIONS SUBCOMMITTEE, OF WHICH HE ACTING CHAIRMAN, BRIEFLY REOPENED LAST FALL'S HEARINGS INTO VIETNAM CURRENCY RACKETS AND MILITARY CLUB PROFITEERING BY U.S. ARMY PERSONNEL.

LEAVING OPEN POSSIBILITY ANOTHER HEARING LATER, RIBICOFF ASKED ASSISTANT SECRETARY TREASURY EUGENE T. ROSSIDES INVESTIGATE SUBCOMMITTEE STAFF REPORTS THAT PROFITEERING IN U.S. DOLLARS ONCE AGAIN FOLLOWING THE FLAG - INTO LAOS.

LAST SUMMER, RIBICOFF SAID, SUBCOMMITTEE INVESTIGATORS IN VIETNAM OBTAINED INFORMATION INDICATING DOLS 400,000 A WEEK IN NEGOTIABLE U.S. INSTRUMENTS BEING TRANSPORTED FROM SAIGON TO BANGKOK BY AMERICAN CIVILIAN PILOTS.

AFTER MONEY CHANGERS IN BANGKOK RAKE OFF ABOUT 20 PERCENT OF DOLLARS SMUGGLED OUT OF SAIGON, REMAINDER SHIPPED OVERLAND TO VIENTIANE, LAOS, HE SAID, WHERE BANK OF INDO-CHINA TRANSFERS DOLLARS TO BANKS IN UNITED STATES AND ELSEWHERE.

IN 1967 ALONE, HE SAID, "PEYSUMEN" ACCOUNT AT NEW YORK'S MANUFACTURERS HANOVER TRUST CO. RECEIVED AT LEAST DOLS 45,000 IN DEPOSITS FROM FEOF, AN INTERNATIONAL MONETARY FUND STABILIZATION VENTURE IN LAOS LEAGELY SUPPORTED BY AID.

IN LAST FALL'S SUBCOMMITTEE HEARINGS, "PRYSUMEN" ACCOUNT IDENTIFIED AS A PRIME VEHICLE THROUGH WHICH CURRENCY MANIPULATORS ILLEGALLY TRANSFERRED U.S. DOLLARS OUT OF VIETNAM TO AMERICAN, SWITZERLAND AND OTHER RELATIVELY STABLE REPOSITORIES.

THIS RACKET FLOURISHES, SUBCOMMITTEE WAS TOLD, BECAUSE MONEYED PERSONS IN VIETNAM WILLING PAY MORE THAN TWICE THE AMOUNT OF VIETNAMESE PIASTERS FOR AMERICAN DOLLARS THAN WOULD RESULT

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FROM OFFICIAL EXCHANGE RATE, JUST TO MAKE SURE THEIR MONEY GETS OUT OF SHAKY WAR STRUCK ECONOMY.

U.S. SERVICEMEN AND OTHERS MORE THAN WILLING EXCHANGE THEIR DOLLARS FOR HANDY PROFIT IN SPENDABLE PIASTERS. RESULTING OUTFLOW DOLLARS FROM VIETNAM ENRICHES MONEY CHANGERS THERE, AND REQUIRES INPUT EVEN MORE U.S. TAX DOLLARS TO BOLSTER SOUTH VIETNAM'S BALANCE OF PAYMENTS.

NOW-DEFUNCT "PRYSUMEEEN" ACCOUNT WAS ONE OF SEVERAL AT REPUTABLE U.S. BANKS TO WHICH AMERICANS IN VIETNAM WOULD SEND DOLLARS AND BE REPAID HANDSOMELY IN PIASTERS, SOON AS WORD OF DOLLAR TRANSFERS REACHED VIETNAM MONEY CHANGERS WHO HELD THE ACCOUNTS. AS EVIDENCE APPARENT INVOLVEMENT U.S. FUNDS IN LAOS, SUBCOMMITTEE INVESTIGATOR CARMINE S. BELLINO YESTERDAY DISPLAYED COPIES TWO 1967 CHECKS TO "PRYSUMEEEN" ACCOUNT FROM FEOF - A ROUGHLY DOLS 20 MILLION A YEAR OPERATION THAT RECEIVES 70 TO 80 PERCENT OF ITS FUNDS FROM AID.

ONE OF THE CHECKS, FOR DOLS 15,000 BORE TYPED AUTHORIZATION EDWARD F. FILLINGHAM, BRITISH SUBJECT WHO MANAGES THE FIVE NATION LAOTIAN AID CONSORTIUM. (THE OTHER PARTICIPANTS IN FUND ARE JAPAN, FRANCE AND AUSTRALIA).

RIBICOFF SAID FILLINGHAM TOLD SUBCOMMITTEE INVESTIGATORS BE "UNAWARE OF SIGNIFICANCE PRYSUMEEEN ACCOUNT AND SAID THAT UNDER PRESENT FEOF CHARTER, HE COULD NOT PROHIBIT TRANSFER OF FUNDS TO AN ACCOUNT SUCH AS PRYSUMEEEN".

"PRYSUMEEEN" ALSO RECEIVED DOLS 320,000 IN TRANSFERS FROM BANK INDO CHINA, VIENTIANE, IN THREE YEARS PRIOR 1968, RIBICOFF SAID.

ROSSIDES, ASSISTANT TREASURY SECRETARY FOR ENFORCEMENT AND OPERATIONS, PROMISED RIBICOFF HE WOULD INVESTIGATE THE REPORTS ABOUT LAOTIAN FUND.

HE AND ARMY SECRETARY STANLEY R. RESOR ALSO INFORMED SUBCOMMITTEE OF STEPS THEIR AGENCIES TAKEN TO STEM CURRENCY AND MILITARY CLUB PROFITEERING THAT MADE HEADLINES IN LAST FALL'S SUBCOMMITTEE HEARINGS.

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EM AID/W PROPOSES RESPOND TO PRESS INQUIRIES ALONG FOLLOWING LINES: THE INFORMATION NOW BEING REVIEWED BY RIBICOFF SUB-COMMITTEE RESULTS IN LARGE PART FROM INVESTIGATION CONDUCTED JOINTLY BY SUBCOMMITTEE STAFF AND AID. FEOF IS ECONOMIC STABILIZATION MECHANISM UNDER WHICH FOREIGN EXCHANGE CONTRIBUTED BY THE FIVE DONOR COUNTRIES IS SOLD THROUGH COMMERCIAL BANKS IN LAOS FOR LAO LOCAL CURRENCY (KIP) TO REDUCE KIP IN CIRCULATION AND THEREBY RESTRAIN INCREASES IN LAO PRICE LEVEL. DETAILS ON FEOF CHECKS ENTERING THE PRYSUMEN ACCOUNT BETWEEN 1966 AND 1968 ARE BEING DEVELOPED BY INSPECTIONS AND INVESTIGATIONS STAFF OF AID.

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4. UNDERSTAND USAID/LAOS FAMILIAR WITH MATTER FROM IIS/ BANGKOK VISIT VIENTIANE. BUT BANGKOK PLEASE REPEAT TO VIENTIANE YOUR 2191 AND SIGNIFICANT FUTURE MESSAGES THIS SUBJECT WELL AS PREVIOUS INCLUDING YOUR 14458 OF OCT 27, 1969.

5. BANGKOK ALSO CONFIRM REPORT MAILED TO AID/W FEB 27.

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6. ADDRESSEE COMMENTS WELCOMED.

EXEMPT.
ROGERS

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